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COUNSEL FOR THE DEBTOR

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION

IN RE:	§	
	§	
VERNON APARTMENTS, LTD.	§	CASE NO. 08-42065-rfn-11
d/b/a The Arbors	§	
	§	
DEBTOR.	§	CHAPTER 11
	§	
	§	Hearing Set: May 6, 2009 at 1:30 p.m.

**DEBTOR'S AMENDED RESPONSE TO MOTION TO DISMISS OR  
CONVERT UNDER 11 U.S.C. §1112(b)(1)<sup>1</sup>**

TO THE HONORABLE RUSSELL F. NELMS, UNITED STATES BANKRUPTCY JUDGE:

COMES NOW VERNON APARTMENTS, LTD., d/b/a The Arbors, debtor and debtor-in-possession ("Vernon Apartments") and files this response to the Motion ("Motion to Dismiss") of the United States Trustee ("Trustee") to Dismiss. In response thereto, Vernon Apartments respectfully states as follows:

1. Vernon Apartment's case is one of five cases<sup>2</sup> filed in the Northern District of Texas which essentially involve the same parties: Malcolm Fleet ("Fleet"), as managing member of the Debtors, and the Rural Housing Service, ("RHS"), which is part of the United States Department of Agriculture. All five apartment complexes are located in rural areas and

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<sup>1</sup> This Amended Response is filed to correctly list the case number for Vernon Apartments, Ltd.

<sup>2</sup> These cases are: *Mart Apartments, Ltd.*, Case No. 08-40540-dml-11; *Rural Texas, Ltd.*, d/b/a *Pine Creek Apartments*, Case No. 07-45368-rfn-11; *Giddings Apartments, Ltd.*, d/b/a *Windsor Square Apartments*, Case No. 08-40550-dml-11; *Vernon Apartments*, Case No. 08-42065-rfn-11; and *Ranger Apartments*, Case No. 08-41057-dml-11. The debtors in each of the cases are collectively referred to as "Debtors").

provide multi-family housing to low income tenants. The RHS provides financing for the apartment complexes and also provides a subsidy ("Subsidy") to the Debtors in exchange for participating in its housing program.

2. In most of these rural areas, there are very limited multi-family housing options. Therefore, the housing that the Debtors provide to their tenants is critically necessary to the rural communities.

3. Vernon Apartments admits that its bankruptcy has been pending for some time. Due to the downturn in the economy and the nature of the apartments, Vernon Apartments has struggled to find financing, although it believes it has located financing and will be promptly filing an amended plan of reorganization and accompanying disclosure statement in advance of any hearing on the Trustee's Motion to Dismiss. The plan will provide for payment of RHS as well as other secured creditors and unsecured creditors. Completing a bankruptcy reorganization is the only opportunity for the payment of creditors in this case.

4. In addition, Vernon Apartments will ensure that all administrative requirements are current.

5. Vernon Apartments respectfully requests that the Court deny the Trustee's Motion to Dismiss.

#### **PRAYER FOR RELIEF**

Vernon Apartments respectfully requests that the Court deny the Motion to Dismiss and grant any and all other relief to which it is entitled.

Dated: April 9, 2010

Respectfully submitted,

/s/ Julie C. John

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing document was served upon the parties on the attached service list via United States Mail, first class postage prepaid, or via ECF Electronic Notice, where available, on the 9th day of April, 2010:

/s/ Julie C. John

Julie C. John

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